

Message Text

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ACTION EB-08

INFO OCT-01 ARA-15 ISO-00 INT-05 COME-00 SIL-01 LAB-04
DOE-15 SOE-02 OES-09 /060 W
-----062759 071545Z /53
R 291730Z SEP 78
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC 2887

UNCLAS SECTION 1 OF 2 LA PAZ 7928

E.O. 11652: N/A
TAGS: EMIN, BL
SUBJECT: COMPARATIVE DATA ON U.S. COMPETITIVENESS IN
NON-FUEL MINERALS

REF: STATE 221670

1. DATA ON CAPITAL, LABOR, TRANSPORTATION, AND OTHER INPUT COSTS AFFECTING THE BOLIVIAN TIN MINING INDUSTRY WERE PROVIDED THE INTERIOR DEPARTMENT IN THE EMBASSY'S AIRGRAM A-8 OF JUNE 27, 1978. THE AIRGRAM MODELLED THE TOTAL COST OF BRING INTO PRODUCTION TWO SIZES OF NEW TIN MINES IN BOLIVIA, BASED ON CURRENT TIN MINING COSTS HERE. (THE MODEL, PRESENTED BY EMBOFF JOHN H. CURRY AND FSL FERNANDO URQUIDI AT THE INTERNATIONAL TIN SYMPOSIUM HELD IN LA PAZ IN NOVEMBER, 1977, WAS ACCEPTED BY GOB CONSULTANTS AND OFFICIALS AS A COMPLETE AND ACCURATE ASSESSMENT OF CURRENT COSTS.) SINCE A-8 WAS WRITTEN, IMPUT COSTS HAVE RISEN 3 TO 20 PERCENT, AVERAGING ON A WEIGHED BASIS 6.5 PERCENT.

2. LABOR COSTS

(A) HOURS WORKED PER EMPLOYEE:

40 HOURS/ WEEK	2,080 HOURS/YEAR
VACATIONS	160 HOURS/YEAR (AVERAGE)
LEGAL HOLIDAYS	56 HOURS (7 DAYS)

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TOTAL 1,864 HOURS/YEAR

(B) PRODUCTIVITY PER YEAR:

GOB FIGURES EMBASSY FIGURES

COMIBOL	2,699 KGS#/WORKER	2,925 KGS#/WORKER
MEDIUM MINERS	4,378 KGS#/WORKER	4,911 KGS#/WORKER

SMALL MINERS 656 KGS#/WORKER 1,476 KGS#/WORKER

NOTE: #KGS: KILOGRAMS OF METALLIC TIN CONTENT.

(C) AVERAGE WAGE RATE: WAGE RATES BY WORKER CATEGORY
(UNDERGROUND MINING, MILL, AND SURFACE SUPPORT) ARE
DETAILED ON A-8.

(D) FRINGE BENEFITS: ARE ALSO DETAILED IN A-8.

3. OTHER OFFICIAL COST DATA.

(SOURCE: COMIBOL-CORPORACION MINERA DE BOLIVIA.)

TIN MINING AND MARKETING COSTS (US\$/LB)

YEAR	MINE	TAXES	ROYALTIES	TOTAL AVERAGE		HTIS#	MARKET	PRICE
				COST	LME			
				ON	TIN			
1971	1.10	0.14	0.00	0.31	1.54	1.59		
1972	1.03	0.18	0.08	0.35	1.64	1.71		
1973	1.05	0.37	0.23	0.48	2.13	2.18		
1974	1.60	0.24	0.81	0.59	3.24	3.71		
1975	1.59	0.21	0.55	0.67	3.03	3.11		
1976	2.02	0.28	0.72	0.78	3.80	3.40		
1977##	1.98	0.46	1.14	0.90	4.38	4.86		

HANDLING, TRANSPORT, INSURANCE, SMELTING.

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COMBIBOL'S COSTS HAVE INCREASED DRAMATICALLY SINCE 1973. HOWEVER EMBASSY ESTIMATES OF TIN MINING COSTS (FOB MINE) FOR 1977 SHOW A SLIGHT INCREASE, 2 PERCENT COMPARED TO 1976. NONETHELESS, THIS REPRESENTS A 24.5 PERCENT INCREASE IN RELATION TO 1975 AND TOTAL COSTS OF PRODUCING TIN HERE ROSE BY 14 PERCENT, LARGELY DUE TO PRICE-RELATED TAXES. 1977 PRICES WERE ON THE AVERAGE 43 PERCENT HIGHER THAN 1976 AND TAX PAYMENTS WERE 50 PERCENT HIGHER. HANDLING, TRANSPORT, INSURANCE, SMELTING AND OTHER COSTS INCREASED BY 15.4 PERCENT. A SUMMARY OF TIN MINING AND MARKETING COSTS FOR COMIBOL ARE GIVEN BELOW.

4. SMELTING COSTS

FOLLOWING FIGURES ARE BASED ON AN OFFICIAL REPORT PRESENTED BY EMPRESA NACIONAL DE FUNDICIONES-ENAF (NATIONAL SMELTING CORPORATION). DATA IS FOR MID 1977.

OPERATIONAL COSTS FIXED COSTS NON-FIXED

COSTS
A) SALARIES 370,081
B) WAGES 454,107
C) OVERTIME SALARIES 43,462
D) OVERTIME WAGES 54,127
E) PRODUCTION BONUS 20,784
F) FRINGE BENEFITS 440,920 48,991
G) MATERIALS 1,310,482 327,621
H) ENERGY (ELECTRICAL) 197,072 84,460
I) SPARE PARTS 111,336 27,834
J) ADMINISTRATION
ORURO 597,332
K) ADMINISTRATION
LA PAZ 234,913
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L) FINANCING COSTS 39,465 26,310

\$3,755,708 \$633,589

OTHER COSTS

M) DEPRECIATION 633,525
N) INTEREST 455
O) MARKETING COSTS 1,960,524

\$6,350,312 \$633,589

NOTE BY OCT: TELEGRAM DELAYED IN TRANSMISSION.

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INFO OCT-01 ARA-15 ISO-00 INT-05 COME-00 SIL-01 LAB-04

DOE-15 SOE-02 OES-09 /060 W

-----066841 071544Z /53

P 291730Z SEP 78

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 2888

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TOTAL OPERATIONAL COSTS: \$ 6,983,801

SALES REVENUES: (1) \$68,618,528

RAW MATERIAL: (2) \$59,837,104

\$ 8,781,424

REVENUES: \$ 8,781,424

OPERATIONAL COSTS: \$ 6,983,801

\$ 1,797,623

PROFIT TAXES (30 PER CENT) 539,287

TOTAL PROFIT \$ 1,258,336

NOTE: (1) A TOTAL OF 12,478 MT OF METALLIC TIN WAS SOLD.

(2) A TOTAL OF 14,495 MT OF METALLIC CONTENT IN
TIN CONCENTRATES WERE BOUGHT.

5. GOVERNMENT POLICES AFFECTING PRODUCTION

A DESCRIPTION OF GOB POLICIES AFFECTING TIN PRODUCTION

IS CONTAINED IN A-8. BRIEFLY, THE TWO MAJOR POLICIES

ARE (A) TAXATION OF EXPORTS AND (B) PRODUCTION INCENTIVES.

THE CURRENT MINING CODE DOES NOT, HOWEVER, EMBRACE

SUBSIDIES DESIGNED TO FOSTER MINERAL EXPLORATION, DEVELOPMENT

OR EXPORTS. NONETHELESS A NATIONAL EXPLORATION FUND

HAI RECENTLY BEEN ESTABLISHED TO SUBSIDIZE EXPLORAT GN

EFFORTS.

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NOTE BY OCT: TELEGRAM DELAYED IN TRANSMISSION.

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